

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 L-03 AGRE-00 DODE-00
PM-04 H-01 NSC-05 PA-01 PRS-01 SS-15 USIA-06
/095 W

-----260711Z 106332 /22

R 251617Z MAR 77

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 3365

INFO ALL EC CAPITALS 3332

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY RABAT

AMEMBASSY TUNIS

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E.O. 11652: N/A

TAGS: EAID, XF, PFOR, EEC, ETRD

SUBJECT: EC COMMISSION OFFICIALS OUTLINE PLANS TO CARRY OUT
MAGHREB AND MASHREK COOPERATION AGREEMENTS

SUMMARY: EC COMMISSION OFFICIALS REPORT THAT RECENT EC
MISSIONS TO ALGERIA, TUNISIA, MOROCCO AND EGYPT HAVE DRAWN
UP GUIDELINES FOR THE USE OF EC FINANCIAL AID. MISSIONS WILL
VISIT SYRIA AND JORDAN SHORTLY. THESE GUIDELINES EMPHASIZE
COOPERATIVE ACTIVITIES, NOT PROJECT AID. THE GUIDELINES WILL
BE DISCUSSED SEPARATELY WITH EACH COUNTRY AT JOINT COM-
MISSION MEETINGS WITHIN THE NEXT SIX MONTHS. SUBSEQUENTLY,
THE EC PLANS TO DEVELOP AID PROGRAMS IN EACH COUNTRY SO THAT AID
FUNDS CAN BE COMMITTED AS SOON AS THE COOPERATION AGREEMENTS

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ARE RATIFIED. END SUMMARY.

2. EC COMMISSION OFFICIALS TELL US THAT THEY RECENTLY
SENT "FACT FINDING" MISSIONS TO THE THREE MASHREK
COUNTRIES AND EGYPT TO DISCUSS CARRYING OUT THEIR COOP-
ERATION AGREEMENTS WITH THE EC. EC MISSIONS WILL ALSO
GO TO SYRIA AND JORDAN AT THE END OF APRIL. THESE

FIRST MISSIONS HAVE PREPARED GUIDELINES FOR THE ADMINISTRATION OF EACH AGREEMENT'S FINANCIAL PROTOCOL, WHICH THE COMMISSION PLANS TO SUBMIT TO THE EC COUNCIL. (WE HAVE A COPY OF THE PRELIMINARY GUIDELINES FOR ALGERIA, AND ARE SENDING IT TO EUR/RPE - MCLEAN, AND AMEMBASSY ALGIERS; PLEASE PROTECT.) THE COMMISSION PLANS TO HOLD MEETINGS WITH EACH OF THE EC/ALGERIAN, MOROCCAN AND TUNISIAN JOINT COMMISSIONS BEFORE THE SUMMER RECESS TO DISCUSS THESE GUIDELINES AND OTHER COOPERATION ACTIVITIES. IF PREPARATIONS GO ACCORDING TO PLANS, IT WOULD ALSO HOLD SEPARATE JOINT COMMISSION MEETINGS WITH EGYPT, JORDAN AND SYRIA IN SEPTEMBER AND OCTOBER. THE LEBANON MEETING WOULD LIKELY FOLLOW: ITS TIMING WOULD DEPEND ON THE GOL'S READINESS TO HAVE SUBSTANTIVE DISCUSSIONS.

3. COMMISSOON OFFICIALS INTEND TO USE EC FUNDS TO PROMOTE COOPERATIVE ACTIVITIES AND TO SERVE AS A CATALYST IN ATTRACTING FUNDS OF OTHER DONORS AND PRIVATE INVESTORS. THE AID WILL GENERALLY NOT BE USED FOR INFRASTRUCTURE AND OTHER DEVELOPMENT PROJECTS. THE PROPOSED GUIDELINES EMPHASIZE FOUR MAIN AREAS; 1) DEVELOPMENT AND MODERNIZATION OF INDUSTRY AND AGRICULTURE; 2) REGIONAL INDUSTRIAL DEVELOPMENT ; 3) TRAINING TO PROMOTE SPECIALIZED SKILLS; AND 4) PROMOTION OF INVESTMENT AND COOPERATION BETWEEN EC AND ARAB BUSINESSES. THE EUROPEAN INVESTMENT BANK IS ALSO PREPARING FINANCIAL AND ECONOMIC ANALYSES IN EACH OF THE COUNTRIES. THE EIB PLANS TO MAKE SUBSTANTIAL LOANS, PRIMARIILY FOR LIMITED OFFICIAL USE

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INFRASTRUCTURE AND INDUSTRIAL ACTIVITIES.

4. EGYPT: COMMISSION OFFICIALS SAY THE GOE MINISTER OF SUPPLY AND TRADE MUGHRABI GENERALLY AGREED WITH THE PROPOSED AID GUIDELINES. HE ASKED THAT THE EC ASSIGN A TECHNICAL ASSISTANCE TEAM TO HELP COORDINATE AND EXPEDITE AID AND INVESTMENT ACTIVITIES IN EGYPT. COMMISSION OFFICIALS REPLIED THAT SUCH A TEAM COULD NOT BE PROVIDED THIS YEAR, BUT THEY WOULD CONSIDER THE REQUEST NEXT YEAR. COMMISSION OFFICIALS, HOWEVER, HAVE SECOND THOUGHTS ABOUT BECOMING DIRECTLY INVOLVED IN GOE DECISION-MAKING AND MAY NOT RESPOND FAVORABLY TO THIS REQUEST.

5. ALGERIA: THE EC MISSION CONCLUDES THAT ALGERIA HAS CONCENTRATED TOO MUCH ON CAPITAL-INTENSIVE INDUSTRY. IT WANTS TO HELP DIVERSIFY INDUSTRY AND PROVIDE LINKAGES WITH THE RURAL AREAS SO AS TO SLOW DOWN URBANIZATION. IT ALSO WANTS TO REDUCE ALGERIAN DEPENDENCE

ON AGRICULTURAL IMPORTS, BY PROMOTING PRODUCTION OF CEREALS AND OTHER FOODSTUFFS. THE GOA HAS ASKED FOR EC ASSISTANCE IN ESTABLISHING A POLYTECHNICAL INSTITUTE FOR 1,000 STUDENTS AND IN IMPROVING A PORT AND STEEL PLANT.

6. TUNISIA AND MOROCCO: THE EC MISSIONS WERE PARTICULARLY WELL RECEIVED IN THESE COUNTRIES. GOVERNMENT OFFICIALS REPORTEDLY WENT ALONG WITH THE ABOVE PROPOSED GUIDELINES. THESE OFFICIALS PARTICULARLY WANTED TO PROMOTE TRILATERAL INVESTMENTS. THE EC WOULD SUPPLY TECHNICAL KNOW-HOW AND A SMALL AMOUNT OF CAPITAL AND OTHER MUSLEM COUNTRIES WOULD PROVIDE THE BULK OF THE FINANCING. THE EC, AS A RESULT, PLANS TO CONCENTRATE ON FEASIBILITY STUFIES AND DEVELOPMENT PLANS. THE EC ALSO WANTS TO ASSIST IN PROMOTING PRIVATE INVESTMENT.
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7. ONCE THESE GUIDELINES ARE ADOPTED BY THE COUNTRIES CONCERNED, THE EC PLANS TO SEND PROGRAMMING MISSIONS TO EACH COUNTRY TO DECIDE ON THE SPECIFIC USES OF THE FUNDS. THE COMMISSION OFFICIALS HOPE THAT THE NINE WILL RATIFY THE MAGHREB AGREEMENTS BY YEAR END. THEY PLAN TO COMMIT FUNDS FOR THE FIRST COOPERATION ACTIVITIES EARLY NEXT YEAR. THE THREE MASHREK AGREEMENTS SHOULD BE RATIFIED EARLY NEXT YEAR AND AID FUNDS WOULD BE COMMITTED SHORTLY THEREAFTER.

8. COMMENT: COMMISSION OFFICIALS ARE PROBABLY

TO OPTIMISTIC REGARDING THE RATIFICATION OF THESE AGREEMENTS. THE NINE HAVE DELAYED RATIFICATION PROCEDURES BECAUSE OF A COUNCIL DISPUTE OVER USING THE EC BUDGET TO GUARANTEE EIB LOANS TO THESE COUNTRIES. THIS DISPUTE HAS JUST BEEN RESOLVED; IT WILL LIKELY SET BACK RATIFICATION BY AT LEAST SEVERAL MONTHS. NEVERTHELESS, COMMISSION OFFICIALS ARE CLEARLY INTENT ON EXPEDITING THESE COOPERATION AGREEMENTS AND THEREBY NOT LOSING THE GOODWILL AND MOMENTUM THAT THEY HAVE CREATED. END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, FOREIGN ASSISTANCE, COMMITTEE MEETINGS, VISITS, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 25-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ECBRU02933
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770104-0345
Format: TEL
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770323/aaaaatlp.tel
Line Count: 163
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 778e61b2-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3000215
Secure: OPEN
Status: NATIVE
Subject: EC COMMISSION OFFICIALS OUTLINE PLANS TO CARRY OUT MAGHREB AND MASHREK COOPERATION AGREEMENTS
SUMMARY: EC COMMISSION OFFICIALS REPORT THAT RECENT
TAGS: EAID, PFOR, ETRD, XF, SY, JO, EEC
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/778e61b2-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009